

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version: SB 38
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB038-DOA-DRB-03-24-17
Title: PHARMACY BENEFITS MANAGERS
Sponsor: GIESSEL BY REQUEST
Requester: Senate Labor & Commerce

Department: Department of Administration
Appropriation: Centralized Administrative Services
Allocation: Retirement and Benefits
OMB Component Number: 64

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2018 Appropriation Requested	Included in Governor's FY2018 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2018	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Personal Services	***		***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	***	0.0	***	***	***	***	***

Fund Source (Operating Only)

None							
Total	***	0.0	***	***	***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2017) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

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Agency: Department of Administration

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Date: 03/24/2017 04:57 PM
Date: 03/24/17

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

BILL NO. SB 38

Analysis

The fiscal note is indeterminate until an actuarial analysis can be conducted. There are a few potential areas of fiscal impact as outlined below.

The bill requires the Pharmacy Benefits Manager (PBM) to register with and pay a fee to the Division of Insurance. The bill also provides the Director of the Division of Insurance the ability to determine binding judgment on contractually negotiated contractual appeal processes, rather than the court. It further requires the PBM to pay the Division of Insurance a fee to allow for this function to be self-supporting. These costs would likely be passed on in terms of administrative fees payable from AlaskaCare to the PBM.

Should the audit procedures restrict the ability of PBMs to identify waste, fraud or abuse patterns, the AlaskaCare plans may pay for unnecessary or fraudulent prescriptions.

Should the audit procedures restrict the ability of PBMs to recoup overpayments, this is money that is unable to be recovered by the AlaskaCare health plans.

The bill requires that prescriptions for multi-source generic drugs be reimbursed at certain levels. This may delay or limit the ability of AlaskaCare and other plans to benefit from cost savings associated with generic competition with brand names that have lost their patent.

The requirement to increase the maximum allowable reimbursement in certain circumstances is anticipated to increase the AlaskaCare plan generic drug spend. In 2016, \$51.3M of the \$217.9M in drug spend in the AlaskaCare Retiree Plan was paid for generic medications. Similarly in 2016, \$3.7M of the \$17.5M in drug spend in the AlaskaCare Employee Plan was paid for generic medications. Taking into account that approximately 40% of AlaskaCare retirees reside outside of Alaska while this bill impacts only generics dispensed in Alaska, we have adjusted our retiree generic spend to an estimated \$30.7. While it is difficult to know how this bill will impact pricing, if we assume that this bill increases the cost of generics by 10%, then the increase to the Alaska generic drug spend for retirees and employees would be approximately \$3.4M in the first year. Future years could see an even greater increase in cost as new generics are released, generic utilization increases, and pharmacy cost trend continues to rise. Additionally, we envision that as wholesalers become aware that payers are restricted on applying MAC pricing, we will experience an increase their generic drug wholesale cost.